



Rhode Island Department of Revenue Division of Taxation

Via Electronic Mail

May 6, 2021

The Honorable Marvin L. Abney
Chair, House Committee on Finance
Rhode Island State House
Providence, RI 02903

**RE: Letter of Concern Regarding House Bill 5013 – An Act Relating to Taxation --
Personal Income Tax**

Dear Chairperson Abney:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation ("Division"), to: a) express concerns regarding issues with proposed House Bill 5013 as currently drafted; b) explain background and current statutory context in order to clarify the intended and unintended consequences of this bill; and, c) make recommendations and request your support in implementing those recommendations.

This letter is not intended as a position in support of, or opposition to, the bill, but only as recommendations on drafting to provide clarity in the bill and to aid tax administration and compliance. The bill is scheduled for hearing on May 6, 2021.

As you know, the bill would amend Rhode Island General Laws § 44-30-2.6. ("Rhode Island taxable income -- Rate of tax") to increase the Rhode Island earned income credit. Under existing statute, a taxpayer may qualify for a Rhode Island earned income credit equal to fifteen percent (15%) of the federal earned income credit as authorized under Internal Revenue Code § 32.¹

House Bill 5013 would increase the Rhode Island credit to twenty percent (20%) of the federal credit. The bill would take effect upon passage and, as currently drafted, would apply to tax years beginning on or after January 1, 2021.

For much of the 2021 calendar year, taxpayers, tax preparers, and tax software providers will be focused on returns covering the 2020 tax year.² Tax legislation which takes effect during the 2021 calendar year – particularly the first part of the calendar year – might lead taxpayers and others to conclude that the proposed amendment in Section 1 of House Bill 5013 applies during the current filing season, for the 2020 tax year.

¹ The earned income credit is sometimes referred to as the earned income tax credit, EIC, or EITC.

² The tax-filing season, which officially began on February 12, 2021, will conclude for many taxpayers on May 17, 2021, but will continue to October 15, 2021, for taxpayers who file on extension.

That would lead to errors in filing and processing, which could, in turn, lead to underpayment penalties and interest, as well as the need for preparing and filing amended returns. This is especially the case given that the filing deadline for federal and Rhode Island personal income tax returns has been postponed this year until May 17, 2021.

To forestall any possible confusion, the Division would respectfully request that the bill's language be revised so that the proposed amendment to the Rhode Island earned income credit apply to tax years beginning on or after January 1, 2022.

The Division believes that such language would make it clear to taxpayers, tax preparers, and tax software providers that the proposed amendment would not apply to, or disrupt, the current tax-filing season. Setting the effective date at a future point would provide taxpayers, tax preparers, tax software providers, and the Division sufficient time to plan ahead.

Again, this letter is not intended as a position in support of, or opposition to, the bill, but only as recommendations on drafting to provide clarity in the bill and to aid tax administration and compliance.

I look forward to working with you to address the issues raised in this letter and appreciate your consideration.

Very truly yours,



Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Finance Committee
(via: HouseFinance@rilegislature.gov)
The Honorable Scott Slater
Marilyn Shannon McConaghy, Acting Director, Department of Revenue